

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 COME-00 EB-08 ACDA-12 MCE-00 TRSE-00
 DOTE-00 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03
 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06 IO-13
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R 021039Z MAR 78
FM AMEMBASSY PRETORIA
TO SECSTATE WASHDC 0582
INFO AMCONSUL DURBAN
AMCONSUL CAPE TOWN
AMCONSUL JOHANNESBURG

C O N F I D E N T I A L SECTION 1 OF 2 PRETORIA 1165

CAPE TOWN ALSO FOR EMBASSY

E.O. 11652: GDS
TAGS: BEXP, PARM, ESTC, SF
SUBJECT: AIRCRAFT SALES TO SOUTH AFRICA

REF: STATE 013703

1. SUMMARY: EMBOFF HAS MET WITH SOUTH AFRICAN DISTRIBUTORS FOR CESSNA, BEECHCRAFT AND PIPER TO DISCUSS CURRENT SALES PRACTICES AND PROCEDURES, POSSIBLE AREAS OF TIGHTER CONTROLS AND PENDING ORDERS. AIRCRAFT DISTRIBUTORS SAY THEY ARE EAGER TO COOPERATE AGAINST DIVERSION TO MILITARY PURPOSES OR RHODESIA. THEY ARE CONCERNED AT CURRENT LICENSING DELAYS. WE RECOMMEND PROCEDURES TO TIGHTEN UP SURVEILLANCE OF CIVIL AIRCRAFT, INCLUDING A 3-DAY PILOT SURVEY. HOWEVER, SOME USE OF U.S. AIRCRAFT BY AIR COMMANDOS CANNOT BE COMPLETELY RULED OUT. END SUMMARY

2. SALS PRACTICES AND PROCEDURES: TWO OF DISTRIBUTORS SELL THE AIRCRAFT RETAIL THROUGH THEIR WON NETWORK OF SALES OFFICES RATHER THAN TO SUB-DEALERS. THE THIRD,
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PLACO (PIPER), SELLS THROUGH A NETWORK OF AGENTS FOR SALES OUTSIDE JOHANNESBURG AREA, BUT THESE AGENTS ONLY TAKE ORDERS AND FORWARD THEM TO PLACO. AGENTS MAINTAIN NO STOCKS OF THEIR OWN AND RETAIL CUSTOMER IS KNOWN TO PLACO BEFORE AIRCRAFT IS FORWARDED TO AGENT. DUE TO LONG LEAD REQUIRED TO RESERVE A PLANE ON PRODUCTION LINE OF U.S. MANUFACTURERS, DISTRIBUTORS MUST PLACE ORDERS

4 TO 18 MONTHS IN ADVANCE. U.S. MANUFACTURERS GENERALLY REQUIRE DISTRIBUTORS TO GIVE A COMMITMENT FOR A CERTAIN NUMBER AND TYPE OF AIRCRAFT AT START OF MODEL YEAR ALTHOUGH SOME CHANGES ARE PERMITTED IN MIX OF MODELS UP TO A CERTAIN PERIOD BEFORE DELIVERY. THE LARGER THE AIRCRAFT THE LONGER THE LEAD TIME FOR DELIVERY. FOR LARGER TWIN ENGINE AIRCRAFT, DISTRIBUTORS ARE LIKELY TO HAVE A SPECIFIC CUSTOMER IN MIND IF NOT ACTUALLY SIGNED UP AT TIME INITIAL ORDER IS PLACED. FOR SMALLER AIRCRAFT WHICH FORM BULK OF MARKET, ONLY A FEW CUSTOMERS ARE ACTUALLY SIGNED AT TIME OF INITIAL ORDER WITH NUMBER INCREASING AS DELIVERY TIME APPROACHES. NEVERTHELESS, LARGE NUMBERS OF SMALLER AIRCRAFT ARE DELIVERED WITHOUT SPECIFIC CUSTOMER SIGNED UP. DISTRIBUTORS NOTED THAT SPECIFIC DELIVERY DATE IS KEY ELEMENT IN SALE, AND IT IS USUALLY NOT POSSIBLE TO MAKE SALE WITHOUT GIVING COMMITMENT ON DATE. IF DISTRIBUTORS HAD TO WAIT UNTIL A RETAIL ORDER WAS SIGNED BEFORE PLACING ORDER WITH U.S. MANUFACTURER, THERE WOULD BE A WAITING TIME OF 6 TO 18 MONTHS FOR CUSTOMER AND MANY SALES WOULD BE LOST.

3. ALL DISTRIBUTORS SATED THEY WERE ADHERING COMPLETELY TO TERMS OF EXPORT LICENSE OF SALES TO SAG ENTITIES AND ON EXPORTS TO RHODESIA. DISTRIBUTORS CLAIMED THEY WERE NOT AWARE OF INSTANCES WHERE SAG HAD PURCHASED U.S. MANUFACTURED AIRCRAFT ON USED MARKET.
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ONLY KNOWN EXCEPTION WAS ONE PIPER BEING USED BY DIRECTOR OF CIVIL AVIATION TO INSPECT AIRFIELDS. TWO OF DISTRIBUTORS STATED THAT SOUTH AFRICAN GOVERNMENT WILL NOT PERMIT RE-EXPORT OF LIGHT AIRCRAFT TO RHODESIA. THIS HAS BEEN CONFIRMED TO US PERSONALLY BY DIRECTOR OF CIVIL AVIATION.

4. AIR COMMANDOS: QUESTIONED ON AIR COMMANDOS, NONE OF DISTRIBUTORS KNEW OF INSTANCES WHERE NEW PLANES WERE PURCHASED SPECIFICALLY FOR USE IN COMMANDOS. CESSNA DISTRIBUTOR FELT THAT BECAUSE OF EXPENSE INVOLVED IN NEW AIRCRAFT AND ROUGH HANDLING WHICH COMMANDO AIRCRAFT RECEIVE (WE DOUBT THIS), MOST WOULD BE OLDER, INDIVIDUALLY-OWNED AIRCRAFT PURCHASED SECOND-HAND. BEEHCRAFT DISTRIBUTORS STATED THAT MOST BEEHCRAFT SOLD IN COUNTRY WERE FAIRLY EXPENSIVE TWIN ENGINE PLANES PURCHASED BY GOOD SIZED COMPANIES. SAID THESE COMPANIES HAD A SUBSTANTIAL INVESTMENT IN AIRCRAFT AND WOULD NOT WISH TO SEE THEM MISUSED FOR WEEKEND FLYING WITH COMMANDOS NOT TO MENTION HIGH EXPENSES INVOLVED. WHEN QUESTIONED ON POSSIBILITY OF ADDING PROVISION TO SALES CONTRACT PROHIBITING USE OF PLANES IN AIR COMMANDOS, ALL THREE DISTRIBUTORS WERE WILLING TO DO SO. NONE FELT IT WOULD

SERIOUSLY HARM THEIR BUSINESS AS THEY DID NOT BELIEVE MANY OF THEIR CUSTOMERS WERE IN COMMANDOS. THEY FELT THAT SUCH A PROVISION WOULD GENERALLY BE HONORED BY PURCHASER ALTHOUGH ONE DISTRIBUTOR WAS UNCERTAIN IF PROVISION WOULD BE LEGALLY ENFORCEABLE. ALL NOTED, HOWEVER, THAT SUCH A PROVISION COULD BE APPLICABLE ONLY TO INITIAL PURCHASER.

5. STATUS OF PENDING EXPORT LICENSE APPLICATIONS:

A) BEECHCRAFT SALES LTD. HAS A SPECIAL AND URGENT PROBLEM HERE. OF ITS FOUR PENDING AIRCRAFT (ALL TWIN ENGINE AIRCRAFT), TWO HAVE BEEN PRESOLD AND WERE DUE FOR DELIVERY TO CUSTOMERS IN FEBRUARY. BEECHCRAFT SALES STATES THEY ARE IN SERIOUS DANGER OF LOSING SALES
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IF EXPORT LICENSES NOT APPROVED SHORTLY. FIRST CASE INVOLVES SALE OF BEECH BONANZA V35B SERIAL NO. D-10098 TO IVOR JONES. JONES IS HEAD OF ONE OF LARGER FIRMS OF STOCKBROKERS IN SOUTH AFRICA, IVOR JONES, ROY & CO., INC. HE PLANS TO USE AIRCRAFT FOR BUSINESS AND PLEASURE ACCORDING TO SALES ORDER. JONES ALREADY HAS AN OLDER BONANZA WHICH HE IS TRADING IN. JONES WANTED TO TAKE DELIVERY BEFORE END OF TAX YEAR ON FEBRUARY 28. HE IS NEGOTIATING WITH DEPARTMENT OF INTERNAL REVENUE TO ALLOW LATER DELIVERY.

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C O N F I D E N T I A L SECTION 2 OF 2 PRETORIA 1165

CAPE TOWN ALSO FOR EMBASSY

SECOND PROBLEM AREA IS MILLION DOLLAR ORDER FOR ONE BEECH SUPER KING AIR 200 FOR BARAIR LTD, WHICH PART OF BARLOW RAND GROUP AND HANDLES EXECUTIVE AIR TRANSPORT FOR ENTIRE B-R GROUP. BARLOW-RAND IS ONE OF LARGEST INDUSTRIAL GROUPS IN SOUTH AFRICA WITH WIDE VARIETY OF MANUFACTURING ENTERPRISES. BARAIR PILOTS WERE DUE TO DEPART FEBRUARY 10 FOR U.S. FOR TRAINING COURSE AND TO TAKE DELIVERY OF AIRCRAFT. TRIP HAS NOW BEEN POSTPONED AND BEECHCRAFT SALES CONCERNED SALE IS IN DANGER UNLESS LICENSE RECEIVED SHORTLY. MANAGING DIRECTOR ROSHOLT OF BARLOW RAND HAS PHONED ECON COUNSELOR TO APPEAL FOR RELEASE OF PLANE. OTHER TWO PENDING BEECH EXPORT LICENSES DO NOT YET HAVE SIGNED UP PURCHASERS.

B) CESSNA-OF PENDING CESSNA LICENSES LISTED IN STATE 13703, 10 AIRCRAFT CURRENTLY HAVE FIRM PURCHASERS. COMAIR PROVIDED LIST OF PURCHASERS, MOST OF WHOM ARE COMPANIES. FOUR ORDERS ARE FROM OUTSIDE SOUTH AFRICA-- TWO FROM BOTSWANA INCLUDING ONE FOR BOTSWANA GOVERNMENT, ONE FOR AGRICULTURAL ESTATE IN MALAWI, AND ONE CONFIDENTIAL

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FOR AN AIR CLUB IN THE SEYCHELLES.

C) PLACO (PIPER) WHICH OPERATES WITH SOMEWHAT LARGER CURRENT STOCK DID NOT HAVE ANY FIRM ORDERS.

6. ECON OFFICER CAPE TOWN VISITED ROTOR FLIGHT HELICOPTERS. CONTRARY TO STATE 22972, FIRM CLAIMS THAT ONLY 36 KITS HAVE SO FAR BEEN IMPORTED. NAMES AND ADDRESSES OF 24 PURCHASERS TO DATE WERE PROVIDED. TWELVE OF CUSTOMERS ARE FARMERS MOSTLY IN TRANSVAAL, 4 ARE ENGINEERS, OTHER DOCTORS OR BUSINESSMEN. IN 1975 FIRM PROVIDED ASSURANCES AGAINST SALE TO AIR COMMANDOS, POLICE, MILITARY AND RHODESIA. FROM RECORDS PROVIDED US, IT APPEARS TWO PLANES WERE EXPORTED ZAIRE AND REUNION. WE DO NOT KNOW IF CONSENT WAS SECURED FROM COMMERCE.

7. ON SAMPLE BASIS, WE HAVE COMPARED LIST OF BEECHCRAFT OWNERS PROVIDED TO AF/S BY FIRM WITH SAG CIVIL AIRCRAFT REGISTER. LISTS CAN BE CONFORMED QUITE WELL ALTHOUGH PERHAPS 10 PERCENT OF OWNERS ARE DIFFERENT.

8. RECOMMENDATIONS: A. IF NOT ALREADY BEING DONE, PROPOSE THAT LICENSE APPLICATIONS REQUIRE THAT SALES CONTRACTS PROHIBIT USE OF AIRCRAFT IN COMMANDOS. B. SAMPLING OF PREVIOUSLY SOLD AIRCRAFT BE UNDER-

TAKEN, FOLLOWING COMPARISON OF SALES RECORDS WITH CIVIL AVIATION REGISTER, TO ESTABLISH WHO IS CURRENT USER AND TO INSPECT PLANE.

C. SINCE WE CANNOT ESTIMATE HOW LONG THIS WILL TAKE NOR WHAT PROBLEMS MAY ARISE, PROPOSE THAT ECON OFFICER DURBAN BE DETAILED FOR ABOUT THREE DAYS TO CONDUCT A PILOT SURVEY. DURBAN WOULD BE ABLE TO RELEASE HIM FOR THIS PURPOSE PROBABLY WEEK OF MARCH 27.

D. CURRENTLY PENDING EXPORT LICENSES LISTED REFTEL
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BE APPROVED SINCE NO EVIDENCE HAS EMERGED THAT PROVISIONS OF PREVIOUS EXPORT LICENSES HAVE BEEN VIOLATED OR THAT PLANES HAVE BEEN DIVERTED TO UNAUTHORIZED SAG ENTITIES OR TO RHODESIA.

E. THAT LICENSES BE GRANTED ON URGENT BASIS FOR TWO PLANES DESCRIBED IN PARA 5 ABOVE.

9. PROCEDURES OUTLINED IN 8A AND 8B WILL GREATLY TIGHTEN UP OUR SURVEILLANCE OF CIVIL AIRCRAFT SOLD IN SOUTH AFRICA AND MAKE SAG AND SA DEALERS AWARE OF OUR SERIOUSNESS IN PREVENTING DIVERSION. IT WILL BE RECOGNIZED, HOWEVER, THAT THESE PROCEDURES MAY NOT BE EFFECTIVE IN IDENTIFYING SMALL NUMBER OF U.S.-ORIGIN AIRCRAFT THAT ARE PROBABLY BEING USED A FEW DAYS EACH YEAR BY AIR COMMANDOS. THIS USAGE IS, IN OPINION OF DAO, INSIGNIFICANT IN MILITARY TERMS AND DOES NOT IN OUR VIEW JUSTIFY MEASURES BY US THAT COULD RESULT IN LOSS OF THIS VALUABLE EXPORT MARKET.

10. PLEASE ADVISE WHETHER WE SHOULD PROCEED WITH PILOT SURVEY DESCRIBED IN PARA 8C. UPON COMPLETION OF THIS, WE SHOULD BE IN A POSITION TO ADVISE DEPARTMENT OF UTILITY OF DETAILING OFFICER FROM WASHINGTON TO CONDUCT MORE EXTENSIVE SURVEY AS DESCRIBED PARA 8B. AND PROBABLE TIME REQUIRED.

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Message Attributes

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